

LAWRENCE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

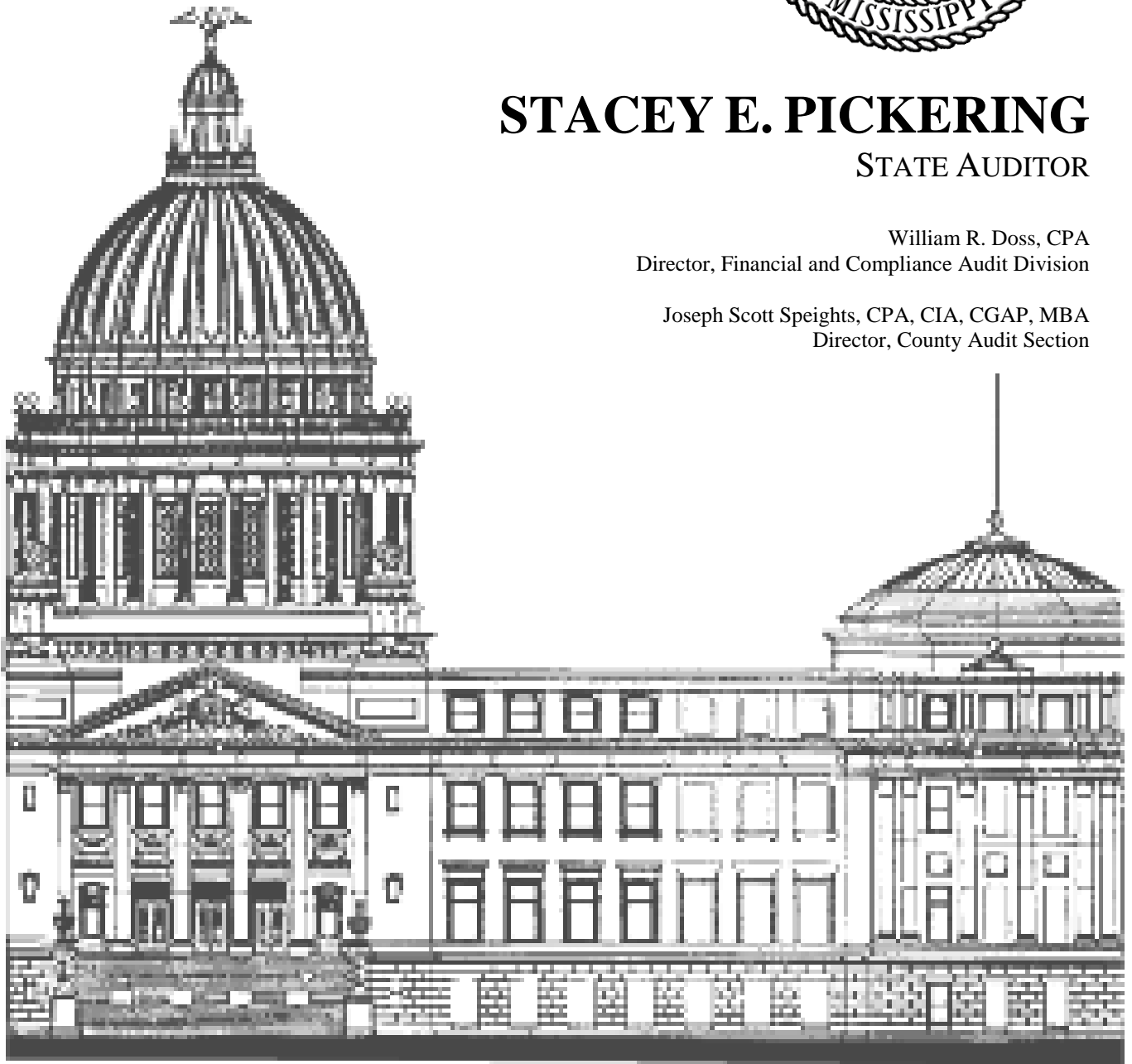


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

December 27, 2012

Members of the Board of Supervisors
Lawrence County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Lawrence County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Lawrence County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lawrence County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

LAWRENCE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	12
Statement of Fiduciary Assets and Liabilities	13
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	27
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	29
Notes to the Required Supplementary Information	30
SUPPLEMENTAL INFORMATION	31
Reconciliation of Operating Costs of Solid Waste	32
SPECIAL REPORTS.....	33
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	37
Limited Internal Control and Compliance Review Management Report	43
SCHEDULE OF FINDINGS AND RESPONSES	45

LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of Lawrence County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lawrence County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawrence County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Doss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 27, 2012

LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 6,215,717
Property tax receivable	4,934,000
Fines receivable (net of allowance for uncollectibles of \$751,897)	834,187
Intergovernmental receivables	100,973
Other receivables	682
Deferred charges - bond issuance costs	28,166
Capital assets:	
Land	569,166
Other capital assets, net	40,245,161
Total Assets	<u>52,928,052</u>
LIABILITIES	
Claims payable	281,222
Intergovernmental payables	118,780
Accrued interest payable	4,598
Deferred revenue	4,934,000
Other payables	14,884
Long-term liabilities	
Due within one year:	
Capital debt	588,105
Non-capital debt	46,564
Due in more than one year:	
Capital debt	2,005,592
Total Liabilities	<u>7,993,745</u>
NET ASSETS	
Invested in capital assets, net of related debt	38,220,630
Restricted:	
Expendable:	
General government	261,478
Debt service	691,036
Public safety	541,995
Public works	1,771,975
Health and welfare	425,418
Culture and recreation	2,680
Economic development	26,361
Unemployment compensation	12,206
Nonexpendable	
Unrestricted	2,980,528
Total Net Assets	<u>\$ 44,934,307</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,561,781	185,909	27,447		(2,348,425)
Public safety	1,947,965	191,818	328,904	54,359	(1,372,884)
Public works	2,966,367	21,062	545,123	150,722	(2,249,460)
Health and welfare	339,928		28,220		(311,708)
Culture and recreation	12,265				(12,265)
Conservation of natural resources	52,303				(52,303)
Economic development and assistance	84,860				(84,860)
Interest on long-term debt	108,319				(108,319)
Total Governmental Activities	\$ 8,073,788	398,789	929,694	205,081	(6,540,224)
General revenues:					
Property taxes				\$	5,022,664
Road & bridge privilege taxes					175,816
Grants and contributions not restricted to specific programs					419,022
Unrestricted interest income					53,036
Miscellaneous					377,242
Total General Revenues					6,047,780
Changes in Net Assets					(492,444)
Net Assets - Beginning					45,426,751
Net Assets - Ending				\$	44,934,307

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,585,154	3,630,563	6,215,717
Property tax receivable	3,155,000	1,779,000	4,934,000
Fines receivable (net of allowance for uncollectibles of \$751,897)	834,187		834,187
Intergovernmental receivables	86,853	14,120	100,973
Other receivables	682		682
Due from other funds	79,438	33,366	112,804
Total Assets	\$ 6,741,314	5,457,049	12,198,363
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 215,175	66,047	281,222
Intergovernmental payables	112,841		112,841
Due to other funds	39,305	79,438	118,743
Deferred revenue	3,989,187	1,779,000	5,768,187
Other payables	14,884		14,884
Total Liabilities	4,371,392	1,924,485	6,295,877
Fund balances:			
Restricted for:			
General government		261,478	261,478
Public safety		541,995	541,995
Public works		1,771,975	1,771,975
Health and welfare		221,490	221,490
Culture and recreation		2,680	2,680
Economic development and assistance		25,106	25,106
Debt service		695,634	695,634
Unemployment compensation		12,206	12,206
Assigned to:			
Health and welfare	203,928		203,928
Economic development and assistance	1,255		1,255
Unassigned	2,164,739		2,164,739
Total Fund Balances	2,369,922	3,532,564	5,902,486
Total Liabilities and Fund Balances	\$ 6,741,314	5,457,049	12,198,363

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,902,486
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$74,573,407.	40,814,327
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	834,187
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,640,261)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(4,598)
Deferred charges - bond issuance costs	<u>28,166</u>
Total Net Assets - Governmental Activities	\$ <u><u>44,934,307</u></u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 3,218,974	1,803,690	5,022,664
Road and bridge privilege taxes		175,816	175,816
Licenses, commissions and other revenue	80,094	7,119	87,213
Fines and forfeitures	143,557	2,335	145,892
Intergovernmental revenues	688,014	865,783	1,553,797
Charges for services	41,921	156,216	198,137
Interest income	26,022	27,014	53,036
Miscellaneous revenues	281,260	95,982	377,242
Total Revenues	4,479,842	3,133,955	7,613,797
EXPENDITURES			
Current:			
General government	2,690,774	24,697	2,715,471
Public safety	1,465,465	230,457	1,695,922
Public works		2,549,547	2,549,547
Health and welfare	255,265		255,265
Culture and recreation		9,822	9,822
Conservation of natural resources	52,303		52,303
Economic development and assistance	84,860		84,860
Debt service:			
Principal	86,325	803,479	889,804
Interest	7,000	104,064	111,064
Total Expenditures	4,641,992	3,722,066	8,364,058
Excess of Revenues over (under) Expenditures	(162,150)	(588,111)	(750,261)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	88,291	539,000	627,291
Proceeds from sale of capital assets	1	4,540	4,541
Transfers in	96,298	218,724	315,022
Transfers out	(106,584)	(208,438)	(315,022)
Lease principal payments		202,436	202,436
Total Other Financing Sources and Uses	78,006	756,262	834,268
Net Changes in Fund Balances	(84,144)	168,151	84,007
Fund Balances - Beginning as previously reported	2,278,048	3,540,431	5,818,479
Prior period adjustment	176,018	(176,018)	0
Fund Balances - Beginning, as restated	2,454,066	3,364,413	5,818,479
Fund Balances - Ending	\$ 2,369,922	3,532,564	5,902,486

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 84,007
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$919,351 exceeded capital outlays of \$327,793 in the current period.	(591,558)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$8,554 and the proceeds from the sale of \$4,541 in the current period.	(13,095)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(32,453)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$889,804 exceeded debt proceeds of \$627,291.	262,513
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The decrease in accrued interest payable	904
The amortization of:	
Deferred charges - bond issuance costs	(2,167)
Premiums on bonds	1,841
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(202,436)
Change in Net Assets of Governmental Activities	\$ <u>(492,444)</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	439,929
Due from other funds		5,939
Total Assets	\$	<u>445,868</u>
LIABILITIES		
Amounts held in custody for others	\$	303,589
Intergovernmental payables		142,279
Total Liabilities	\$	<u>445,868</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lawrence County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lawrence County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Lawrence County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments are as follows:

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

Explanation	Amount
To correct error in classification of funds.	
General Fund	\$ 176,018
Other Governmental Funds	(176,018)
Total prior period adjustment	\$ 0

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$6,655,646, and the bank balance was \$6,691,342. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 79,438
Other Governmental Funds	General	33,366
Agency Funds	General	5,939
Total		\$ 118,743

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

The receivables represent the tax revenue collected but not settled until October, 2011 and short-term loans. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 96,298
Other Governmental Funds	General Fund	106,584
Other Governmental Funds	Other Governmental Funds	112,140
Total		\$ 315,022

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 61,853
MDOT reimbursement	25,000
Triad grant	4,500
State aid road reimbursement	9,620
Total Governmental Activities	\$ 100,973

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 429,166	140,000			569,166
Total non-depreciable capital assets	429,166	140,000	0	0	569,166
<u>Depreciable capital assets:</u>					
Infrastructure	98,147,437	12,000			98,159,437
Buildings	7,940,626				7,940,626
Improvements other than buildings	754,408				754,408
Mobile equipment	5,258,507	64,308	125,484	646,588	5,843,919
Furniture and equipment	995,845	23,194	55,027		964,012
Leased property under capital leases	1,714,463	88,291		(646,588)	1,156,166
Total depreciable capital assets	114,811,286	187,793	180,511	0	114,818,568

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Less accumulated depreciation for:</u>					
Infrastructure	66,355,947	156,405			66,512,352
Buildings	2,761,528	155,826			2,917,354
Improvements other than buildings	30,177	30,177			60,354
Mobile equipment	3,660,079	296,341	112,938	275,861	4,119,343
Furniture and equipment	429,404	119,542	54,478		494,468
Leased property under capital leases	584,337	161,060		(275,861)	469,536
Total accumulated depreciation	<u>73,821,472</u>	<u>919,351</u>	<u>167,416</u>	<u>0</u>	<u>74,573,407</u>
Total depreciable capital assets, net	<u>40,989,814</u>	<u>(731,558)</u>	<u>13,095</u>	<u>0</u>	<u>40,245,161</u>
Governmental activities capital assets, net	<u>\$ 41,418,980</u>	<u>(591,558)</u>	<u>13,095</u>	<u>0</u>	<u>40,814,327</u>

* Adjustments are the reclassification of paid out capital leases from leased property under capital leases to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 97,795
Public safety	295,722
Public works	440,895
Health and welfare	82,496
Culture and recreation	<u>2,443</u>
Total governmental activities depreciation expense	<u>\$ 919,351</u>

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>		<u>Governmental Activities</u>
Mobile equipment	\$	1,067,875
Furniture and equipment		88,291
Total		1,156,166
Less: Accumulated depreciation		469,536
Leased Property Under Capital Leases	\$	<u>686,630</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 187,104	10,694
2013	107,864	5,514
2014	76,086	2,570
2015	36,036	669
2016	4,759	26
Total	\$ <u>411,849</u>	<u>19,473</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Series 1998 jail bond	\$ 270,000	4.30/4.75%	04/2013
Series 1998A jail bonds	135,000	4.90%	07/2013
Series 2010 hospital sprinkler system bonds	<u>855,000</u>	3.25/4.50%	09/2025
Total General Obligation Bonds	\$ <u>1,260,000</u>		
B. Capital Leases:			
Garbage truck - compactor	\$ 17,783	4.13%	08/2012
Sheriff's car	1,983	3.77%	01/2012
Excavator	16,826	4.44%	11/2012
Excavator	15,154	3.85%	02/2013
Extendahoe	6,206	3.45%	05/2012
International garbage truck	19,142	3.24%	06/2013
(2) Dump trucks	8,534	3.49%	08/2012
Superior broom	11,130	3.28%	11/2012

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2010 Ford F150	16,713	3.15%	02/2014
(2) 2010 Dodge Chargers	32,585	3.15%	07/2013
John Deere 120D excavator	70,244	3.38%	12/2014
Superior sweeper	30,031	3.13%	05/2014
Zanetis Road Hog	55,754	3.23%	06/2015
Tanker	12,420	2.79%	07/2013
Computer software and hardware	75,932	3.21%	12/2015
Excavator	21,412	2.97%	10/2012
Total Capital Leases	\$ 411,849		
C. Other Loans:			
CAP loan	\$ 137,692	2.00%	11/2017
Hospital note - revenue note	46,564	4.95%	10/2011
District 2 fire truck loans	22,373	3.00%	02/2015
District 2 fire truck loan	16,503	2.00%	12/2015
District 2 fire truck loans	91,152	3.00%	02/2020
District 3 fire truck loans	130,198	3.00%	03/2020
Road and bridge construction loan	500,000	3.50%	10/2015
Total Other Loans	\$ 944,482		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 240,000	54,608	207,565	15,710
2013	260,000	43,385	158,713	15,508
2014	50,000	31,055	156,590	17,326
2015	50,000	28,805	150,615	18,919
2016	55,000	26,555	143,835	20,386
2017 – 2021	305,000	98,415	127,164	5,383
2022 – 2026	300,000	33,700		
Total	\$ 1,260,000	316,523	944,482	93,232

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was less than one percent of the latest property assessments.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,490,000		230,000		1,260,000	240,000
Add:						
Premiums	25,771		1,841		23,930	
Capital leases	589,089	127,291	304,531		411,849	187,104
Other loans	799,755	500,000	355,273		944,482	207,565
Total	\$ 2,904,615	627,291	891,645	0	2,640,261	634,669

(11) Contingencies.

Federal Grants – The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation – The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$406,518 for maintenance and support of the college in fiscal year 2011.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$27,360 for support of the district in fiscal year 2011.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$22,500 for support in fiscal year 2011.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The members provide only modest financial support for the entity.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(13) Defined Benefit Pension Plan.

Plan Description. Lawrence County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$304,189, \$296,406 and \$281,452, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Lawrence County evaluated the activity of the county through December 27, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
01/18/2012	2.49%	\$	23,000	Capital lease	Ad valorem taxes
03/20/2012	2.39%		24,076	Capital lease	Ad valorem taxes
06/26/2012	1.97%		44,800	Capital lease	Ad valorem taxes
11/19/2012	1.81%		151,079	Capital lease	Ad valorem taxes

LAWRENCE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,004,000	3,219,775	3,219,775	
Road and bridge privilege taxes		228	228	
Licenses, commissions and other revenue	85,000	79,510	79,510	
Fines and forfeitures	110,000	142,750	142,750	
Intergovernmental revenues	540,000	962,725	962,725	
Charges for services	40,000	15,521	15,521	
Interest income	31,460	26,022	26,022	
Miscellaneous revenues	65,000	222,194	222,194	
Total Revenues	<u>3,875,460</u>	<u>4,668,725</u>	<u>4,668,725</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,128,217	2,798,498	2,798,498	
Public safety	1,329,800	1,480,269	1,480,269	
Health and welfare	323,500	255,490	255,490	
Culture and recreation	300,000	236,402	236,402	
Conservation of natural resources	51,006	50,348	50,348	
Economic development and assistance	143,860	142,360	142,360	
Debt service:				
Principal		86,325	86,325	
Interest		7,000	7,000	
Total Expenditures	<u>4,276,383</u>	<u>5,056,692</u>	<u>5,056,692</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(400,923)</u>	<u>(387,967)</u>	<u>(387,967)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	747,836	1,462,362	1,462,362	
Other financing uses	(393,000)	(469,285)	(469,285)	
Total Other Financing Sources and Uses	<u>354,836</u>	<u>993,077</u>	<u>993,077</u>	<u>0</u>
Net Change in Fund Balance	(46,087)	605,110	605,110	0
Fund Balances - Beginning	<u>1,968,384</u>	<u>1,834,431</u>	<u>1,834,431</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,922,297</u>	<u>2,439,541</u>	<u>2,439,541</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

LAWRENCE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		Governmental Fund Type
		General Fund
Budget (Cash Basis)	\$	605,110
Increase (Decrease)		
Net adjustments for revenue accruals		(45,459)
Net adjustments for expenditure accruals		15,675
Other reconciling items:		
Net repayment of interfund loans and advances		(684,470)
Expenditures reclassified to receivable accounts		25,000
GAAP Basis	\$	<u>(84,144)</u>

LAWRENCE COUNTY

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2011

Operating Expenditures, Cash Basis:

Salaries	\$ 252,293
Expendable Commodities:	
Gasoline and petroleum products	31,199
Repair parts	9,244
Contractual services	143,640
Supplies	<u>10,671</u>

Solid Waste Cash Basis Operating Expenditures 447,047

Full Cost Expenses:

Depreciation on equipment	57,509
Depreciation on building	72
Interest on solid waste debt	2,374
Other	<u>2,471</u>

Solid Waste Full Cost Operating Expenses \$ 509,473

LAWRENCE COUNTY

SPECIAL REPORTS

LAWRENCE COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 27, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lawrence County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 11-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-2 and 11-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Lawrence County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 27, 2012, included within this document.

Lawrence County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Lawrence County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 27, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lawrence County, Mississippi

We have examined Lawrence County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Lawrence County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

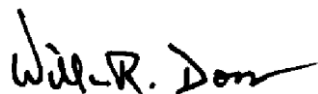
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lawrence County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lawrence County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lawrence County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 27, 2012

LAWRENCE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

LAWRENCE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

LAWRENCE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

LAWRENCE COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

In planning and performing our audit of the financial statements of Lawrence County, Mississippi for the year ended September 30, 2011, we considered Lawrence County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 27, 2012, on the financial statements of Lawrence County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified an immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response are disclosed below:

Chancery Clerk.

1. Finding

All bond certificates for County officials and employees should be filed and recorded in the Chancery Clerk's office.

Section 25-1-19, Miss. Code Ann. (1972), requires all bonds to be filed and recorded in the Chancery Clerk's office. The Chancery Clerk bond records do not include bond certificates for all of the county officials and employees. Failure to file a copy of the bond documentation with the Chancery Clerk's office could result in officials not being properly bonded.

Recommendation

The Chancery Clerk should make sure that all officials and employees bonds are filed and recorded in the office of the Chancery Clerk.

Chancery Clerk's Response

I will comply.

Lawrence County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 27, 2012

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAWRENCE COUNTY

(This page left blank intentionally.)

LAWRENCE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. The County should include the financial data for its discrete component units in its financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior four years' audit reports, the financial statements do not include the financial data for the county's component units. The failure to properly follow general accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

The cost of providing this is still not feasible at this time.

LAWRENCE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Tax Assessor - Collector.

Significant Deficiency

11-2. Controls over the Tax Assessor's - Collector cash journal should be strengthened.

Finding

An effective system of internal control over the collection, recording and disbursement of cash should include maintaining a cash journal. The cash journal was not properly maintained. Errors on the cash journal resulted from the incorrect recording of receipts and disbursements and failure to roll over September's ending account balances as beginning balances of the next fiscal year. Also, the Tax Assessor - Collector is not maintaining a receivable account for the legislative tag credit due from the state. Failure to properly maintain the cash journal could result in incorrect settlements and the loss of public funds.

Recommendation

The Tax Assessor - Collector should ensure that the cash journal is properly maintained, receipts and disbursements are posted to the proper accounts in the cash journal, the fiscal year beginning account balances agree with prior fiscal year ending account balances and a receivable account is maintained for the legislative tag credit due from the state.

Tax Assessor's - Collector's Response

This office has been maintaining a legislative credit balance every month but not in the proper journal. This office will from this day maintain a correct general ledger trial balance putting the legislative credit in the correct fund.

Circuit Clerk.

Significant Deficiency

11-3. Controls over the Circuit Clerk's cash journal should be strengthened.

Finding

An effective system of internal control should include maintaining cash journals and reconciling the bank statements to the cash journals. As reported in the prior three years' audit reports, the fee account bank statement was not reconciled to the fee account cash journal. A cash balance was not being maintained in the fee account journal. Failure to reconcile the fee account bank statement to the fee account cash journal could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that a cash balance is maintained in the fee account cash journal and that the fee account bank statement is reconciled to the fee account cash journal.

Circuit Clerk's Response

I am currently working with Delta Computers to add that capability to my program.